



Title: I, Payroll/Personnel Manual

Chapter:

Bulletin: Title I, 03-11, Civil Service Retirement System (CSRS) Withholdings for CSRS-Offset Employees Who Are Federal Employees Health Benefits Premium Conversion (HB-PC) Participants

Date: October 31, 2003

To: Holders of the Payroll/Personnel Manual
Personnel User Groups
Personnel Offices

This bulletin is being issued to remind agencies of the withholding of retirement contributions for employees who are covered by the Civil Service Retirement System (CSRS) offset and who also participate in a Federal Employees Health Benefits Premium Conversion (HB-PC) Plan.

CSRS-Offset Employees' "Full" Withholding Rate for Retirement Contributions

CSRS-offset employees are subject to a 7.0, 7.5, or 8.0 percent withholding from their basic pay each pay period for retirement contributions. The specific percentage, referred to as the "full" CSRS withholding rate, depends on the employee's retirement coverage code. (See the table below.)

Code	Definition	"Full" CSRS Withholding Rate
C	FICA and CSRS. Covered by FICA and the Civil Service Retirement System.	7.0%
D	CSRS Offset (Congressional) (FICA) (Legislative Branch employees only)	8.0%
E	FICA and CSRS. Covered by FICA and the Civil Service Retirement System. For law enforcement and firefighter personnel.	7.5%

Note: To verify the retirement coverage code, access the Information/Research Inquiry System (IRIS) Program IR117, Retirement Data.

Old Age, Survivors, and Disability Insurance (OASDI) Contributions

CSRS-offset employees are required to have OASDI contributions withheld from their OASDI taxable wages until they reach the OASDI maximum annual earnings amount in the current tax year. (**Note:** The OASDI rate for Tax Year 2003 is 6.2 percent and has a maximum annual earnings amount of \$87,000 with a maximum amount paid by the employee of \$5,394.) Until an employee reaches the maximum earnings or maximum paid (whichever comes first), the "full" CSRS withholding rate is reduced by the OASDI rate so that the total withholding of OASDI plus CSRS contributions does not exceed the "full" CSRS withholding. When the employee reaches the OASDI maximum earnings or maximum paid (whichever comes first), OASDI contributions are no longer withheld and the CSRS withholding is fully attributed to CSRS.

Federal Employees Health Benefits Premium Conversion (HB-PC) Plan

The health benefits premiums paid by CSRS-offset participants in the HB-PC Plan **are not subject** to OASDI taxes; however, they **are subject** to CSRS contribution withholdings at the “full” CSRS withholding rate each pay period (i.e., 7.0, 7.5, or 8.0 percent for 2003).

The example below illustrates how to calculate CSRS and OASDI contributions for an HB-PC participant both **before** and **after** he/she reaches the maximum annual earnings amount for the current tax year. The employee in this example has a basic pay of \$4,000 a pay period, pays HB-PC health benefit premiums of \$150 a pay period (which is not subject to OASDI tax), and is under Retirement Coverage Code C (FICA and CSRS).

CSRS and OASDI Contributions *Before* the Employee Reaches the OASDI Maximum Annual Earnings Amount for the Current Tax Year

Description	Amount
Pay period basic pay	\$ 4,000.00
Nontaxable HB-PC deduction	<u>-150.00</u>
OASDI taxable wages	\$ 3,850.00
Calculate Retirement Contributions	
OASDI contributions (6.2 percent of the OASDI taxable wages of \$3,850)	\$ 238.70
CSRS contributions (.8 percent of the OASDI taxable wages of \$3,850)	30.80
CSRS contributions (7.0 percent of the HB-PC premium of \$150)	<u>+ 10.50</u>
Total retirement contributions (OASDI plus CSRS)	\$ 280.00

CSRS and OASDI Contributions *After* the Employee Reaches the OASDI Maximum Annual Earnings Amount for the Current Tax Year

Description	Amount
Pay period basic pay	\$ 4,000.00
Calculate Retirement Contributions	
CSRS contributions (7.0 percent of \$4,000, which includes the HB-PC deduction of \$150) The 7.0 percent is the “full” CSRS withholding rate for Retirement Coverage Code C.	\$ <u>280.00</u>
Total retirement contributions (CSRS contributions only)	\$ 280.00

In the example above, the total amount withheld for retirement contributions is \$280, both **before** and **after** the employee reaches the OASDI annual maximum earnings amount. The difference, as shown by the example, is that **before** the OASDI maximum is reached, OASDI contributions account for 6.2 percent of the “full” CSRS rate that is applied to OASDI taxable wages. **After** the OASDI maximum is reached, OASDI contributions are no longer required and the “full” CSRS rate is applied to the entire basic pay amount, including the HB-PC premium.

Verifying OASDI Taxable Wages and Deductions

Agencies may verify the employee's OASDI taxable wages and contributions year-to-date by accessing IRIS Program IR103, Salary YTD Data.

Modifying OASDI Taxable Wages and Deductions

If agencies determine that the employee's OASDI taxable wages and/or contributions year-to-date recorded in the Payroll/Personnel System need to be modified, the modifications can be made through one of the following:

- Payroll/Personnel Remote Entry System (PRES), Program DP031, Master File Change Document
- Entry, Processing, Inquiry, and Correction System (EPIC), Program EI5601, Master File Change
- Front-End System Interface (FESI), Record Layout, Master File Change Document 030

Inquiries

For questions about policy/regulations, contact your Agriculture Payroll/Personnel User Group (AGPUG) representative or Committee for Agriculture Payroll/Personnel System (CAPPS) representative. For questions about the National Finance Center (NFC) processing, contact the Payroll Operations Branch at **504-255-4630** . For questions about this bulletin, call **504-255-5322** or send an e-mail to nfc.pvct@usda.gov.



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